



PAUL FARROW

STATE SENATOR

Date: Wednesday, August 21, 2013

To: Chairman Ducey Stroebel and Members of the Assembly Committee on State & Local Finance

From: Senator Paul Farrow (R-Pewaukee; 33rd Senate District)

Topic: Assembly Bill 255; Relating to: lengthening the time during which tax increments may be allocated and expenditures for project costs may be made for Tax Incremental District Number 1 in the Village of Wales

I want to thank Chairman Stroebel and members of the Assembly Committee on State & Local Finance for holding a Public Hearing on Assembly Bill 255. Both Representative Kapenga and I have worked extensively with the Village of Wales to see that this piece of legislation is moved through the legislative process, passed and signed into law during this upcoming fall session.

As you may be aware, the Joint Review Board approved the creation of the Tax Incremental Financing District #1 of the Village of Wales on July 28, 2006. This TID was created to assure that a combination of private commercial and residential development would occur in the district consistent with the Village of Wales' development objectives.

However, due to the economic downturn beginning in 2008, the proposed development of TID #1 was slowed. It is believed that without the extension of the current TID, future development and economic growth is unlikely to occur. Assembly Bill 255 goes a long way in helping to move development along as the village prepares for a major state highway project.

Currently, the State of Wisconsin is preparing to reconstruct Highway 83 through the Village of Wales in 2014. Village officials believe it is advantageous for the village to install infrastructure that is concurrent with the Highway 83 reconstruction. In order to be fiscally responsible and act in the best interest of village residents these infrastructure improvements should be made with TID dollars.

After speaking with Village President, Mr. Jeffery Flaws, Representative Kapenga and I decided to pursue this legislation to extend the life of TID #1 in the Village of Wales by an additional 10 years. It is believed that this extension will encourage economic development and properly fund sewer service to Highway 18 and Highway 83 commercial/residential properties as approved upon the original implementation in 2006.

It has been pointed out to me that there is precedent for this request and piece of legislation. 2009 Wisconsin Act 67 extended the life of Tax Incremental District #2 in the City of Racine by the ten year maximum. The Village of Wales is seeking the same consideration afforded to the City of Racine.

Again, I thank Chairman Stroebel and members of the committee for the time and consideration they are giving to the Village of Wales and to Assembly Bill 255. If you should have any questions regarding this bill, please do not hesitate to contact me or my office

Respectfully,

SERVING WISCONSIN'S 33RD SENATE DISTRICT



Village of Wales

Tax Increment District No. 1 Summary of Projected Cash Flows



Without Maximum Life Extension

With Maximum Life Extension (AB255)

Year	Tax Increments ¹	Bond Proceeds	Other Revenues	Debt Service ²	Other Expenditures	Fund Balance ³	Tax Increments ¹	Bond Proceeds	Refunding Bond	Other Revenues	Debt Service ²	Other Expenditures	Fund Balance ³	
2012						351,334							351,334	
2013	220,174	0	5,051	0	(1,000)	575,559	220,174	0	0	5,051	0	(1,000)	575,559	
2014	161,258	0	5,107	0	(1,000)	740,924	161,258	0	0	5,107	0	(1,000)	740,924	
2015	161,258	4,900,000	5,148	(85,528)	(5,688,769)	33,034	161,258	4,850,000	0	5,148	(69,355)	(5,643,894)	44,082	
2016	161,258	0	4,971	(171,055)	(1,000)	27,209	161,258	0	0	4,974	(138,710)	(1,000)	70,604	
2017	167,102	0	4,970	(547,160)	(1,000)	(348,879)	167,102	0	0	4,981	(138,710)	(1,000)	102,977	
2018	207,451	0	4,963	(548,741)	(1,000)	(686,205)	207,451	0	0	4,989	(138,710)	(1,000)	175,707	
2019	248,204	0	4,963	(548,957)	(1,000)	(982,995)	248,204	0	0	5,007	(138,710)	(1,000)	289,208	
2020	289,364	0	4,963	(547,834)	(1,000)	(1,237,502)	289,364	0	4,950,000	5,035	(5,045,690)	(107,875)	380,042	
2021	330,936	0	4,963	(550,256)	(1,000)	(1,452,860)	330,936	0	0	5,058	(315,650)	(1,000)	399,386	
2022	338,477	0	4,963	(546,124)		(1,655,544)	338,477	0	0	5,063	(313,700)	(1,000)	428,226	
2023	346,093	0	4,963	(550,245)		(1,854,733)	346,093	0	0	5,070	(360,935)	(1,000)	417,453	
2024	353,785	0	4,963	(547,358)		(2,043,343)	353,785	0	0	5,067	(357,223)	(1,000)	418,084	
2025	361,555	0	4,963	(547,596)		(2,224,420)	361,555	0	0	5,068	(402,390)	(1,000)	381,316	
2026	369,402	0	4,963	(545,960)		(2,396,016)	369,402	0	0	5,058	(396,370)	(1,000)	358,406	
2027	377,327	0	4,963	(547,332)		(2,561,058)	377,327	0	0	5,053	(438,948)		301,838	
2028	Under current law, the District must close not later than July 10, 2026, resulting in a final collection of tax increments for the 2027 budget year.							385,332	0	0	5,038	(430,035)		262,173
2029							393,417	0	0	5,029	(420,373)		240,246	
2030							401,582	0	0	5,023	(459,030)		187,821	
2031							409,830	0	0	5,010	(446,055)		156,606	
2032							418,159	0	0	5,002	(432,495)		147,272	
2033							426,572	0	0	5,000	(418,380)		160,464	
2034							435,070	0	0	5,003	(403,695)		196,842	
2035							443,652	0	0	5,012	(388,485)		257,021	
2036							452,320	0	0	5,027	(372,885)		341,483	
2037							461,074	0	0	5,048	(357,030)		450,576	
2038							469,917	0	0	5,076	(340,965)		584,603	
2039							478,847	0	0	5,109	(324,690)		743,869	
2040							487,867	0	0	5,149	(308,250)		928,635	
2041							496,977	0	0	5,195	0		1,430,808	
2042							506,179	0	0	5,321	0		1,942,307	
2043							515,472	0	0	5,449	0		2,463,228	
2044							524,858	0	0	5,579	0		2,993,664	
Totals	4,093,644	4,900,000	74,877	(6,284,145)	(5,696,769)		11,800,769	4,850,000	4,950,000	162,798	(13,357,468)	(5,763,769)		

NOTES:

¹ Present TID increment value is \$9,362,800 (1-1-2013). Projections assume 1% economic appreciation factor and an additional \$8 million in new development constructed between 2016 - 2019.

² Assumes issuance of General Obligation debt at interest rate 1.50% higher than current market rates.

³ Audited fund balance as of 12-31-2012.

Village of Wales

Tax Increment District No. 1
Cash Flow Pro Forma



Sample Cash Flow Assuming No Extension to TID Life



Year	Revenues							Expenditures				Balances		Project Cost Principal Outstanding	Year	
	Tax Increments	Investment Earnings	Prof. Fees Reimbursed	Exempt Computer Aids	Intergov. Payments	Bond Proceeds	Total Revenues	G.O. Sewer Bonds \$4,900,000 Dated 3-1-2015		Project Costs	Finance Related Expense	Total Expenditures	Annual			Cumulative ¹
							Prin 3/1	Est. Rate ²	Int							
2006		0.025%														
2006		0	4,289							38,351		38,351	(34,062)	(34,062)	2006	
2007		0								31,479		31,479	(31,479)	(65,541)	2007	
2008	15,637	0								10,859		10,859	4,778	(60,763)	2008	
2009	66,688	0		4,221						201		201	70,708	9,945	2009	
2010	97,757	0		6,860						150		150	104,467	114,411	2010	
2011	119,161	0		6,098						7,080		7,080	118,179	232,590	2011	
2012	177,167	0		4,963	15,000					78,386		78,386	118,744	351,334	2012	
2013	220,174	88		4,963						1,000		1,000	224,225	575,559	2013	
2014	161,258	144		4,963						1,000		1,000	165,365	740,924	2014	
2015	161,258	185		4,963		4,900,000			85,528	5,582,519	106,250	5,774,297	(707,890)	33,034	4,900,000	2015
2016	161,258	8		4,963				1.850%	171,055	1,000		172,055	(5,825)	27,209	4,900,000	2016
2017	167,102	7		4,963			380,000	2.050%	167,160	1,000		548,160	(376,088)	(348,879)	4,520,000	2017
2018	207,451	0		4,963			390,000	2.320%	158,741	1,000		549,741	(337,327)	(686,205)	4,130,000	2018
2019	248,204	0		4,963			400,000	2.630%	148,957	1,000		549,957	(296,790)	(982,995)	3,730,000	2019
2020	289,364	0		4,963			410,000	2.860%	137,834	1,000		548,834	(254,507)	(1,237,502)	3,320,000	2020
2021	330,936	0		4,963			425,000	3.160%	125,256	1,000		551,256	(215,357)	(1,452,860)	2,895,000	2021
2022	338,477	0		4,963			435,000	3.410%	111,124			546,124	(202,685)	(1,655,544)	2,460,000	2022
2023	346,093	0		4,963			455,000	3.720%	95,245			550,245	(199,189)	(1,854,733)	2,005,000	2023
2024	353,785	0		4,963			470,000	4.010%	77,358			547,358	(188,610)	(2,043,343)	1,535,000	2024
2025	361,555	0		4,963			490,000	4.220%	57,596			547,596	(181,078)	(2,224,420)	1,045,000	2025
2026	369,402	0		4,963			510,000	4.430%	35,960			545,960	(171,595)	(2,396,016)	535,000	2026
2027	377,327	0		4,963			535,000	4.610%	12,332			547,332	(165,042)	(2,561,058)	0	2027
Total	4,570,054	432	4,289	96,587	15,000	4,900,000	4,900,000		1,384,145	5,757,025	106,250	12,147,420	(2,561,058)			

NOTES:

- ¹ Cumulative fund balances through 2012 are actual per Village audit.
- ² Estimated interest rates based on current market rates for an "A1" level credit plus 1.50%.

Projected TID Closure



Village of Wales

Tax Increment District No. 1 Tax Increment Projection Worksheet

Type of District
Actual Creation Date
Valuation Date
Maximum Life (In Years)
Expenditure Period (In Years)
Revenue Periods/Final Rev Year
End of Expenditure Period
Latest Termination Date
Eligible for Extension/No. of Years
Eligible Recipient District

Mixed Use
7/10/2006
Jan. 1, 2006
20
15
20 2027
7/10/2021
7/10/2026
Yes 3
No

Base Value
Property Appreciation Factor
2011 Levy Tax Rate
Tax Rate Adjustment Factor (Next 2 Years)
Tax Rate Adjustment Factor (Following 2 Years)
Tax Rate Adjustment Factor (Thereafter)

24,568,300
1.00%
\$16.18
0.00%
0.00%
0.00%

Apply Inflation
Factor to Base?

X

Discount Rate 1 for NPV Calculation
Discount Rate 2 for NPV Calculation

5.00%
7.00%

	Construction Year	Value Added	Valuation Year	Inflation Increment	Valuation Increment	Revenue Year	Tax Rate	Tax Increment
1	2006	1,101,400	2007		1,101,400	2008	14.20	15,637
2	2007	3,584,100	2008		4,685,500	2009	14.23	66,688
3	2008	1,726,900	2009		6,412,400	2010	15.24	97,757
4	2009	939,200	2010		7,351,600	2011	16.21	119,161
5	2010	3,598,900	2011		10,950,500	2012	16.18	177,167
6	2011	1,833,000	2012		12,783,500	2013	17.22	220,174
7	2012	(3,420,700)	2013		9,362,800	2014	17.22	161,258
8	2013	0	2014		9,362,800	2015	17.22	161,258
9	2014	0	2015		9,362,800	2016	17.22	161,258
10	2015	0	2016	339,311	9,702,111	2017	17.22	167,102
11	2016	2,000,000	2017	342,704	12,044,815	2018	17.22	207,451
12	2017	2,000,000	2018	366,131	14,410,946	2019	17.22	248,204
13	2018	2,000,000	2019	389,792	16,800,739	2020	17.22	289,364
14	2019	2,000,000	2020	413,690	19,214,429	2021	17.22	330,936
15	2020	0	2021	437,827	19,652,256	2022	17.22	338,477
16	2021	0	2022	442,206	20,094,462	2023	17.22	346,093
17	2022	0	2023	446,628	20,541,090	2024	17.22	353,785
18	2023	0	2024	451,094	20,992,183	2025	17.22	361,555
19	2024	0	2025	455,605	21,447,788	2026	17.22	369,402
20	2025	0	2026	460,161	21,907,949	2027	17.22	377,327
		17,362,800			4,545,149			

Future Value of Increment

4,570,054



NOTES:



Village of Wales

Tax Increment District No. 1 Development Assumptions



Construction Year	Actual	Additional Development			Annual Total
2006	1,101,400				1,101,400
2007	3,584,100				3,584,100
2008	1,726,900				1,726,900
2009	939,200				939,200
2010	3,598,900				3,598,900
2011	1,833,000				1,833,000
2012	(3,420,700)				(3,420,700)
2013					0
2014					0
2015					0
2016		2,000,000			2,000,000
2017		2,000,000			2,000,000
2018		2,000,000			2,000,000
2019		2,000,000			2,000,000
2020					0
2021					0
2022					0
2023					0
2024					0
2025					0
TOTALS	9,362,800	8,000,000	0	0	17,362,800

NOTES:



Sample Cash Flow Assuming Seventeen Year Extension

Year	Revenues							Expenditures							Balances		Project Cost Principal Outstanding	Year	
	Tax Increments	Investment Earnings	Prof. Fees Reimbursed	Exempt Computer Aids	Intergov. Payments	Bond Proceeds	Total Revenues	Note Anticipation Note \$4,850,000 Dated 3-1-2015			G.O. Sewer Bonds \$4,950,000 Dated 2-1-2020			Project Costs	Finance Related Expense	Total Expenditures			Annual
		0.025%					Prin 3/1	Est. Rate ²	Int	Prin 3/1	Est. Rate ²	Int							
2006		0	4,289			4,289							38,351		38,351	(34,062)	(34,062)		2006
2007		0				0							31,479		31,479	(31,479)	(65,541)		2007
2008	15,637	0				15,637							10,859		10,859	4,778	(60,763)		2008
2009	66,688	0		4,221		70,909							201		201	70,708	9,945		2009
2010	97,757	0		6,860		104,617							150		150	104,467	114,411		2010
2011	119,161	0		6,098		125,259							7,080		7,080	118,179	232,590		2011
2012	177,167	0		4,963	15,000	197,130							78,386		78,386	118,744	351,334		2012
2013	220,174	88		4,963		225,225							1,000		1,000	224,225	575,559		2013
2014	161,258	144		4,963		166,365							1,000		1,000	165,365	740,924		2014
2015	161,258	185		4,963	4,850,000	5,016,407		69,355					5,582,519	61,375	5,713,249	(696,842)	44,082	4,850,000	2015
2016	161,258	11		4,963		166,232		138,710					1,000		139,710	26,522	70,604	4,850,000	2016
2017	167,102	18		4,963		172,083		138,710					1,000		139,710	32,373	102,977	4,850,000	2017
2018	207,451	26		4,963		212,440		138,710					1,000		139,710	72,730	175,707	4,850,000	2018
2019	248,204	44		4,963		253,211	4,850,000	2,860%	69,355				1,000		139,710	113,501	289,208	4,850,000	2019
2020	289,364	72		4,963	4,950,000	5,244,399	4,850,000	2,860%	69,355			126,335	1,000	106,875	5,153,565	90,834	380,042	4,950,000	2020
2021	330,936	95		4,963		335,994				100,000	1.850%	215,650	1,000		316,650	19,344	399,386	4,850,000	2021
2022	338,477	100		4,963		343,539				100,000	2.050%	213,700	1,000		314,700	28,839	428,226	4,750,000	2022
2023	346,093	107		4,963		351,163				150,000	2.320%	210,935	1,000		361,935	(10,772)	417,453	4,600,000	2023
2024	353,785	104		4,963		358,853				150,000	2.630%	207,223	1,000		358,223	630	418,084	4,450,000	2024
2025	361,555	105		4,963		366,622				200,000	2.860%	202,390	1,000		403,390	(36,768)	381,316	4,250,000	2025
2026	369,402	95		4,963		374,460				200,000	3.160%	196,370	1,000		397,370	(22,910)	358,406	4,050,000	2026
2027	377,327	90		4,963		382,380				250,000	3.410%	188,948			438,948	(56,568)	301,838	3,800,000	2027
2028	385,332	75		4,963		390,370				250,000	3.720%	180,035			430,035	(39,665)	262,173	3,550,000	2028
2029	393,417	66		4,963		398,445				250,000	4.010%	170,373			420,373	(21,927)	240,246	3,300,000	2029
2030	401,582	60		4,963		406,605				300,000	4.220%	159,030			459,030	(52,425)	187,821	3,000,000	2030
2031	409,830	47		4,963		414,840				300,000	4.430%	146,055			446,055	(31,215)	156,606	2,700,000	2031
2032	418,159	39		4,963		423,161				300,000	4.610%	132,495			432,495	(9,334)	147,272	2,400,000	2032
2033	426,572	37		4,963		431,572				300,000	4.800%	118,380			418,380	13,192	160,464	2,100,000	2033
2034	435,070	40		4,963		440,073				300,000	4.990%	103,695			403,695	36,378	196,842	1,800,000	2034
2035	443,652	49		4,963		448,664				300,000	5.150%	88,485			388,485	60,179	257,021	1,500,000	2035
2036	452,320	64		4,963		457,347				300,000	5.250%	72,885			372,885	84,462	341,483	1,200,000	2036
2037	461,074	85		4,963		466,123				300,000	5.320%	57,030			357,030	109,093	450,576	900,000	2037
2038	469,917	113		4,963		474,992				300,000	5.390%	40,965			340,965	134,027	584,603	600,000	2038
2039	478,847	146		4,963		483,956				300,000	5.460%	24,690			324,690	159,266	743,869	300,000	2039
2040	487,867	186		4,963		493,016				300,000	5.500%	8,250			308,250	184,766	928,635	0	2040
2041	496,977	232		4,963		502,172									0	502,172	1,430,808	0	2041
2042	506,179	358		4,963		511,499									0	511,499	1,942,307	0	2042
2043	515,472	486		4,963		520,920									0	520,920	2,463,228	0	2043
2044	524,858	616		4,963		530,437									0	530,437	2,993,664	0	2044
Total	12,277,178	3,982	4,289	180,958		9,800,000	4,850,000	693,550	4,950,000	2,863,918	5,762,025	168,250	19,287,743	2,993,664					

NOTES:

¹ Cumulative fund balances through 2012 are actual per Village audit.

² Estimated interest rates based on current market rates for an "A1" level credit plus 1.50%.

Projected TID Closure



Village of Wales

Tax Increment District No. 1 Tax Increment Projection Worksheet

Type of District
Actual Creation Date
Valuation Date
Maximum Life (In Years)
Expenditure Period (In Years)
Revenue Periods/Final Rev Year
End of Expenditure Period
Latest Termination Date
Eligible for Extension/No. of Years
Eligible Recipient District

Mixed Use
7/10/2006
Jan. 1, 2006
20
15
20 2027
7/10/2021
7/10/2026
Yes 3
No

Base Value
Property Appreciation Factor
2011 Levy Tax Rate
Tax Rate Adjustment Factor (Next 2 Years)
Tax Rate Adjustment Factor (Following 2 Years)
Tax Rate Adjustment Factor (Thereafter)

24,568,300
1.00%
\$16.18
0.00%
0.00%
0.00%

Apply Inflation Factor to Base?

Discount Rate 1 for NPV Calculation
Discount Rate 2 for NPV Calculation

5.00%
7.00%

	Construction Year	Value Added	Valuation Year	Inflation Increment	Valuation Increment	Revenue Year	Tax Rate	Tax Increment
1	2006	1,101,400	2007		1,101,400	2008	14.20	15,637
2	2007	3,584,100	2008		4,685,500	2009	14.23	66,688
3	2008	1,726,900	2009		6,412,400	2010	15.24	97,757
4	2009	939,200	2010		7,351,600	2011	16.21	119,161
5	2010	3,598,900	2011		10,950,500	2012	16.18	177,167
6	2011	1,833,000	2012		12,783,500	2013	17.22	220,174
7	2012	(3,420,700)	2013		9,362,800	2014	17.22	161,258
8	2013	0	2014		9,362,800	2015	17.22	161,258
9	2014	0	2015		9,362,800	2016	17.22	161,258
10	2015	0	2016		9,702,111	2017	17.22	167,102
11	2016	2,000,000	2017	339,311	12,044,815	2018	17.22	207,451
12	2017	2,000,000	2018	366,131	14,410,946	2019	17.22	248,204
13	2018	2,000,000	2019	389,792	16,800,739	2020	17.22	289,364
14	2019	2,000,000	2020	413,690	19,214,429	2021	17.22	330,936
15	2020	0	2021	437,827	19,652,256	2022	17.22	338,477
16	2021	0	2022	442,206	20,094,462	2023	17.22	346,093
17	2022	0	2023	446,628	20,541,090	2024	17.22	353,785
18	2023	0	2024	451,094	20,992,183	2025	17.22	361,555
19	2024	0	2025	455,605	21,447,788	2026	17.22	369,402
20	2025	0	2026	460,161	21,907,949	2027	17.22	377,327
21	2026	0	2027	464,762	22,372,712	2028	17.22	385,332
22	2027	0	2028	469,410	22,842,122	2029	17.22	393,417
23	2028	0	2029	474,104	23,316,226	2030	17.22	401,582
24	2029	0	2030	478,845	23,795,071	2031	17.22	409,830
25	2030	0	2031	483,634	24,278,705	2032	17.22	418,159
26	2031	0	2032	488,470	24,767,175	2033	17.22	426,572
27	2032	0	2033	493,355	25,260,530	2034	17.22	435,070
28	2033	0	2034	498,288	25,758,818	2035	17.22	443,652
29	2034	0	2035	503,271	26,262,089	2036	17.22	452,320
30	2035	0	2036	508,304	26,770,393	2037	17.22	461,074
31	2036	0	2037	513,387	27,283,780	2038	17.22	469,917
32	2037	0	2038	518,521	27,802,301	2039	17.22	478,847
33	2038	0	2039	523,706	28,326,007	2040	17.22	487,867
34	2039	0	2040	528,943	28,854,950	2041	17.22	496,977
35	2040	0	2041	534,232	29,389,182	2042	17.22	506,179
36	2041	0	2042	539,575	29,928,757	2043	17.22	515,472
37	2042	0	2043	544,971	30,473,728	2044	17.22	524,858

ACTUAL
PROJECTED
Proposed Seventeen Year Life Extension

17,362,800

4,545,149

Future Value of Increment

4,570,054



NOTES:



Village of Wales

Tax Increment District No. 1 Development Assumptions



Construction Year	Actual	Additional Development			Annual Total
2006	1,101,400				1,101,400
2007	3,584,100				3,584,100
2008	1,726,900				1,726,900
2009	939,200				939,200
2010	3,598,900				3,598,900
2011	1,833,000				1,833,000
2012	(3,420,700)				(3,420,700)
2013					0
2014					0
2015					0
2016		2,000,000			2,000,000
2017		2,000,000			2,000,000
2018		2,000,000			2,000,000
2019		2,000,000			2,000,000
2020					0
2021					0
2022					0
2023					0
2024					0
2025					0
2026					0
2027					0
2028					0
2029					0
2030					0
2031					0
2032					0
2033					0
2034					0
2035					0
2036					0
2037					0
2038					0
2039					0
2040					0
2041					0
2042					0
TOTALS	9,362,800	8,000,000	0	0	17,362,800

NOTES: